

Message Text

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ORIGIN EB-07

INFO OCT-01 EUR-12 EA-07 IO-13 ISO-00 AF-08 ARA-06 NEA-10

FEA-01 AGRE-00 CEA-01 CIAE-00 COME-00 DODE-00 FRB-03

H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01

AID-05 CIEP-01 SS-15 STR-04 ITC-01 TRSE-00 USIA-06

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EUR/NE:NACHILLES

EUR/CAN:DBLAKEMORE

EA/J:DSMITH

EUR/CE:RCASAGRANDE

STR:RH NL CH

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R 080208Z OCT 76

FM SECSTATE WASHDC

TO AMEMBASSY TOKYO

AMEMBASSY STOCKHOLM

AMEMBASSY OTTAWA

AMEMBASSY BONN

AMEMBASSY PARIS

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY LUXEMBOURG

AMEMBASSY THE HAGUE

AMEMBASSY BRUSSELS

AMEMBASSY VIENNA

AMEMBASSY WARSAW

AMEMBASSY HELSINKI

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E.O. 11652: N/A

TAGS: ETRD

SUBJECT: SPECIALTY STEEL QUOTA AND THE BEARING STEEL
PROBLEM

REF: STATE 246084

1. AS EXPLAINED IN REFTL, WASHINGTON AGENCIES HAVE BEEN ATTEMPTING TO FIND A WAY TO PERMIT BEARING STEEL TO CONTINUE TO ENTER THE U.S. UNTIL IT CAN BE PERMANENTLY EXCLUDED FROM THE TOOL STEEL QUOTA. SUCH EXCLUSION REQUIRES, INTER ALIA, AN INTERNATIONAL TRADE COMMISSION (ITC) STUDY WHICH WILL TAKE AT LEAST THREE MONTHS TO COMPLETE. THE APPROACH THAT NOW APPEARS THE MOST PROMISING TO PERMIT A CONTINUATION OF IMPORTS OF BEARING STEEL IN THE INTERIM PERIOD IS TO SEEK A PRESIDENTIAL PROCLAMATION WHICH WOULD ESTABLISH TWO ALLOY TOOL STEEL CATEGORIES TO REPLACE THE SINGLE ALLOY TOOL STEEL CATEGORY CONTAINED IN THE ORIGINAL PROCLAMATION. ONE NEW ALLOY TOOL STEEL CATEGORY WOULD APPLY TO ALLOY TOOL STEEL OTHER THAN BEARING STEEL AND THE SECOND CATEGORY WOULD APPLY TO BEARING STEEL. FOR TECHNICAL REASONS AND BECAUSE OF CERTAIN SENSITIVITIES ON THE PART OF THE JAPANESE GOVERNMENT, THE CATEGORY FOR BEARING STEEL WOULD NOT BE LABELED AS SUCH BUT RATHER BY THE ELEMENTS WHICH MAKE UP BEARING STEEL.

2. THE LEGAL BASIS FOR THE PRESIDENT'S PROCLAMATION IS SECTION 203(D)(2) OF THE TRADE ACT. THIS SECTION REQUIRES THAT ANY QUANTITATIVE RESTRICTION PROCLAIMED PURSUANT TO SECTION 203 SUBSECTION (A) OR (C) AND ANY ORDERLY MARKETING AGREEMENT NEGOTIATED PURSUANT TO SUBSECTION (A) SHALL QUOTE PERMIT THE IMPORTATION OF A QUANTITY OR VALUE OF THE ARTICLE WHICH IS NOT LESS THAN THE QUANTITY OR VALUE OF SUCH ARTICLE IMPORTED INTO THE U.S. DURING LIMITED OFFICIAL USE

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THE MOST RECENT PERIOD AS THE PRESIDENT DETERMINES IS REPRESENTATIVE OF IMPORTS OF SUCH ARTICLE. END QUOTE. BECAUSE IMPORTS OF BEARING STEEL WERE NOT CONSISTENTLY COUNTED DURING THE REPRESENTATIVE PERIOD (1971 - 1975), THE QUOTA FOR THE TOOL STEEL CATEGORY WAS SUBSTANTIALLY UNDERSTATED. THE ESTABLISHMENT OF THE TWO SEPARATE ALLOY STEEL CATEGORIES WILL PERMIT AN INCREASE IN IMPORTS CONSISTENT WITH THE PRINCIPLE OF SECTION 203(D)(2) OF THE

TRADE ACT. (SEE PARA 7).

3. WE INTEND TO MAKE THE BEARING STEEL QUOTA AS LARGE AS NECESSARY TO ALLOW SUPPLIERS TO EXPORT TO THE U.S. THE QUANTITIES OF BEARING STEEL THEY PLANNED TO EXPORT TAKING INTO ACCOUNT HISTORICAL TRADE LEVELS. WE ARE IN THE PROCESS OF ARRIVING AT THE QUOTA QUANTITIES. STR HAS CALLED IN THE REPRESENTATIVES FROM THE MAJOR BEARING STEEL SUPPLYING COUNTRIES, SWEDEN, JAPAN, THE EC AND CANADA TO ASK THEM TO PROVIDE FIGURES ON AMOUNTS OF BEARING STEEL THEY ESTIMATE THEY WILL SHIP TO THE U.S. DURING THE NEXT THREE YEARS, EXPORTS TO THE U.S. FOR 1971-1975, AND EXPORTS TO THE U.S. SINCE THE BEGINNING OF THE CURRENT QUOTA YEAR.

4. FYI -- THE TOOL STEEL QUOTA AS IT NOW STANDS MAY POSSIBLY BE ADJUSTED DOWNWARD TO COMPENSATE FOR THE REMOVAL OF ANY BEARING STEEL. THE RATIONALE IS THAT IT COULD BE THAT SOME BEARING STEEL MAY HAVE BEEN CLASSIFIED AND COUNTED AS TOOL STEEL WHEN THE QUOTA WAS DETERMINED THEREFORE MAKING THE TOOL STEEL QUOTA LARGER THAN IT SHOULD HAVE BEEN. THE U.S. SPECIALTY STEEL INDUSTRY, WHICH SUPPORTS THE EXCLUSION OF BEARING STEEL FROM THE TOOL STEEL QUOTA, WOULD EXPECT AN APPROPRIATE ADJUSTMENT. IF ADJUSTED DOWNWARD, OUR CURRENT FEELING IS THAT THE REDUCTION IS LIKELY TO BE SMALL. END FYI.

5. ADDRESSEES MAY INFORM HOST GOVERNMENTS AND THE EC COMMISSION OF OUR DESIRE TO SOLVE THE BEARING STEEL PROBLEM AND HOW WE ARE GOING ABOUT DOING IT. WE EXPECT TO SEND THE PROPOSED PROCLAMATION TO THE PRESIDENT BEFORE THE END OF THE MONTH. FOR TOKYO: EMBASSY MAY WISH TO TELL THE GOJ THAT THE PROCLAMATION WOULD EXPEDITE LIMITED OFFICIAL USE

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RESTORATION OF STAINLESS SHEET AND STRIP SHIFTED TO THE TOOL STEEL QUOTA.

6. ACTION REQUESTED: FOR EMBASSIES VIENNA, MADRID, WARSAW, HELSINKI AND BUENOS AIRES, WE WOULD APPRECIATE IT IF YOU WOULD CHECK WITH HOST GOVERNMENT OFFICIALS TO DETERMINE IF THEIR SHIPMENTS OF ALLOY TOOL STEEL TO U.S. INCLUDED BEARING STEEL. BEARING STEEL IS DEFINED AS ASTM 52100. IF SO, PLEASE REPORT DATA ON SHIPMENTS OF BEARING STEEL TO THE U.S. DURING THE REPRESENTATIVE PERIOD, 1971-1975, EXPECTED EXPORTS FOR THE THREE QUOTA YEARS ENDING JUNE 13, 1979 AND SHIPMENTS SO FAR DURING THE CURRENT QUOTA YEAR BEGINNING JUNE 14, 1976. WOULD APPRECIATE RECEIVING REPLY COB OCTOBER 14.

7. THE ARGUMENT ADVANCED TO SUPPORT THE PROPOSED
PROCLAMATION IS WITHOUT PREJUDICE TO THE BASIC USG
POSITION THAT INCLUSION OF BEARING STEEL IN THE TOOL
STEEL QUOTA WAS NOT INTENDED. ROBINSON

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